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80-2097

NO. 80-

IN THE

Supreme Court of the United States

POTTER INSTRUMENT COMPANY, INC.
Petitioner,

v.

STORAGE TECHNOLOGY CORPORATION
TELEX COMPUTER PRODUCTS, INC.
SPERRY CORPORATION
CONTROL DATA CORPORATION,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

APPENDIX

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IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1980

POTTER INSTRUMENT COMPANY, INC.
Petitioner,

v.

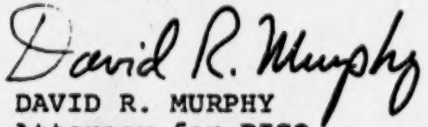
STORAGE TECHNOLOGY CORPORATION
TELEX COMPUTER PRODUCTS, INC.
SPERRY CORPORATION
CONTROL DATA CORPORATION,
Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI

NOW COMES the petitioner, Potter Instrument Company, Inc. (PICO) by counsel and files and serves this Appendix to the document entitled "PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT" in the above-captioned case which was timely filed with the Clerk of the United States Supreme Court on the 21st day of May 1981.

Pursuant to Supreme Court Rule 28.1, the undersigned affirmatively states on information and belief that petitioner has no parent companies and that all petitioner's subsidiaries are wholly owned subsidiaries.

Respectfully submitted,



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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 79-579-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

STORAGE TECHNOLOGY CORPORATION, *Defendant*.

Civil Action No. 79-626-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

TELEX COMPUTER PRODUCTS, INC., *Defendant*.

Civil Action No. 79-993-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

TELEX COMPUTER PRODUCTS, INC., *Defendant*.

Civil Action No. 79-994-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

SPERRY CORPORATION, *Defendant*.

Civil Action No. 79-995-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

CONTROL DATA CORPORATION, *Defendant*.

FINDINGS AND CONCLUSIONS

(Filed March 25, 1980)

These suits were brought by the Potter Instrument Company, Inc. (Potter) against Storage Technology Corporation (STC),[1] Telex Computer Products, Inc. (Telex),[2] Sperry Corporation (Sperry),[3] and Control Data Corporation (CDC)[4] charging the defendants with infringement of United States Letters Patent No. 3,176,894 ("the '894 patent") by making, using and selling magnetic tape drives employing an "industry standard Z buffer" and United States Letters Patent No. 3,226,685 ("the '685 patent") by making, using and selling magnetic tape recording systems employing Group Coded Record (GCR) adopted as an industry-wide standard by the American National Standards Institute (ANSI).

The defendants claimed these patents were invalid and denied the claimed infringement.

A parallel proceeding is currently pending in the United States Court of Claims. The Court of Claims proceeding was instituted on March 24, 1978 when Potter filed suit against the United States Government alleging infringement of the '894 and '685 patents in connection with the United States Government's use of computer equipment and tape drives supplied by STC, Telex, Sperry and CDC. The defendants were made third-party defendants.

These consolidated cases came on for hearing on the joint and/or individual motions of the defendants for summary judgment on the basis of, *inter alia*, file wrapper estoppel, laches, and equitable estoppel.

The Court declared the file wrapper estoppel claim premature and scheduled the laches and estoppel issues for further hearing.

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[1] Civil Action No. 79-579-A (filed July 6, 1979).

[2] Civil Action Nos. 79-626-A and 79-993-A (filed July 24, 1979 and November 21, 1979, respectively).

[3] Civil Action No. 79-994-A (filed November 21, 1979).

[4] Civil Action No. 79-995-A (filed November 21, 1979).

Detailed memoranda of points and authorities, together with voluminous exhibits and live testimony, were submitted by each of the parties in support of their respective positions.

From the record thus made, the Court finds that the '894 patent was issued to Robert E. Schoeneman as inventor on April 6, 1965. This patent, allegedly covering "industry standard Z buffer" magnetic tape drives, was owned by Potter during the time period relevant to this consolidated action.

The '685 patent, allegedly covering the industry standard "GCR" recording and information storage technique, was also owned by Potter during the relevant time period.

Although the record is silent as to when, if ever, Potter began manufacturing and marketing its Z buffer tape drive and GCR recording equipment, it had bulk paid-up licensing agreements with IBM and other manufacturers covering both the '894 and '685 patents as early as 1971.

In early 1970, Potter had actual and/or constructive notice that each of the defendants had developed and were selling tape drives utilizing the accused industry standard Z buffer and, later, the GCR technique.

STC introduced its first magnetic tape drive employing an industry standard Z buffer at the Atlantic City National Computer Conference in the spring of 1970—this conference was attended by Potter representatives. STC sold its first Z buffer tape drive in late 1970.

Beginning in 1970, STC undertook a marketing program for its tape equipment which included low profit sales to original equipment manufacturers (OEMs).

On December 1, 1971, Potter wrote to STC concerning possible infringement of the '894 patent. Subsequent corresponding relating to the '894 patent between Potter's patent counsel and STC's patent counsel followed during

1972. This correspondence terminated with a letter dated January 17, 1973—nothing more was heard from Potter regarding the '894 patent until this suit was filed in 1979.

On March 8, 1973, STC publicly announced its GCR tape recording system—a copy of which announcement was received by Potter. On May 17, 1973, George W. May, then president of Potter, wrote to STC stating that the '685 patent covered the fundamental concept of GCR and offered STC a license under the '685 patent.

STC began selling its tape drives employing GCR technology after the March 8, 1973 announcement, for delivery in the fourth quarter of 1973. In March 1974, John T. Potter reported to the Potter Board of Directors that STC was infringing its '685 patent—no legal action was undertaken by Potter against STC for patent infringement until the filing of this suit in 1979.

Telex publicly announced its Z buffer tape drive in May 1970 and subsequently made shipments to customers in the latter part of 1970.

Potter first contacted Telex regarding the '894 patent in a letter dated November 10, 1971, in which Potter directed Telex's attention to the '894 patent. An exchange of correspondence followed which included a letter from Telex's patent counsel denying infringement of the '894 patent and a letter dated October 25, 1972 from Potter threatening immediate legal action if Telex did not take a license under the '895 patent. Nothing further was said or done regarding the '894 patent until this suit was filed in 1979.

In May 1975, Telex negotiated for and purchased Potter's United Kingdom assets for approximately $500,000.00. Potter neither claimed nor mentioned infringement of its '894 patent during these negotiations.

The record is devoid of evidence concerning precisely when Telex introduced and began marketing its GCR tape

equipment. However, the undisputed evidence discloses that Potter became aware of Telex's GCR equipment and the possibility that Telex might be infringing on its '685 patent in 1976—as evidenced by the exchange of correspondence between Potter and Telex with regard to the '685 patent initiated by Potter's letter of February 13, 1976 and terminated by Telex's letter of February 3, 1977.

On November 10, 1970, Sperry Univac issued a press release to approximately 75 magazines and trade journals announcing the introduction of the accused Sperry Univac Uniservo-20 tape drive. This tape drive, which employs the accused Z buffer, was given wide publicity at trade shows following the November announcement.

On December 31, 1971, the Sperry Univac Division of Sperry acquired the computer business and operations of the RCA Corporation in a widely publicized transaction. RCA had earlier acquired a paid-up license under numerous Potter patents, including the '894 patent.

CDC issued press releases to the computer industry regarding its own Z buffer tape drive no later than August 22, 1973. On or before September 27, 1973, CDC had begun leasing the accused Z buffer tape drive. As of the time of the press releases, Potter knew or should have known that CDC was marketing the accused Z buffer tape drives.

Potter never asserted any infringement claim under the '894 patent against CDC until the filing of this suit in 1979.

With respect to the GCR patent, in November 1973, the ANSI Subcommittee X3B1 received a proposal from IBM —which was licensed by Potter under the '685 patent—for adoption of GCR recording as an industry-wide standard. GCR is allegedly an infringement of the '685 patent in suit. Representatives of Potter attended the November 1973 ANSI subcommittee meeting but did not disclose

Potter's ownership of the '685 patent or any other patents relating to the proposed GCR standard.

ANSI Subcommittee X3B1 formulates industry-wide standards for magnetic tape information interchange systems. The Subcommittee had a written policy, of which all members were aware, stating that when any one or more patents are to be included within a proposed industry standard, the owner of such patent[s] must bring to the attention of the Subcommittee the existence of such patents and agree to offer licenses to members of the affected industry on reasonable and nondiscriminatory terms as a prerequisite to the adoption of the industry-wide standard. This policy was adopted to allow all industry members an equal opportunity to utilize any industry-wide standard adopted.

The GCR recording was adopted as the industry-wide standard in June of 1976.

During the time periods relevant to this suit, Potter was fully cognizant of the methods used to protect one's patents and patent rights. On January 2, 1970, it instituted a suit against Bucode, Inc. for infringement of, *inter alia*, its '894 patent (184 U.S.P.Q. 662 [1975]). After protracted litigation, the '894 patent was held valid by the District Court—this suit was compromised and settled pending appeal.

Potter took no action against any of the alleged infringers, either during or after the conclusion of the Bucode suit, prior to filing the Court of Claims' suit against the United States.

Potter's economic survival reached the acute stage in late '73 or early '74—many of its patents, including the '894 and '685 patents, were assigned to the Midland Bank of New York as security for bank loans—Alexander was employed as its financial consultant in late 1974, and the Company filed its petition for a Chapter XI Bankruptcy in

April 1975. Potter remained as debtor in possession with Alexander as its new president.

None of these infringement claims were listed as assets or choses in action in Potter's Chapter XI Bankruptcy petition.

Alexander neither petitioned the Bankruptcy Court nor took any action as debtor in possession against any of these defendants in re their right to continue using the '894 or the '685 patents, even though the Potter Board of Directors had been advised by one of its patent advisors that failure to so do might give rise to the defense of laches.

Instead, Potter sought and obtained permission from the Bankruptcy Court to employ counsel on a contingent basis to bring suit against the United States in the Court of Claims for infringement of its '894 and '685 patents—in the hopes that the Government would bring in the defendants as third-party defendants and force a settlement—which was done in a similar suit filed against the United States in the Court of Claims.

Suit was filed against the United States in the Court of Claims on March 24, 1978, and the Government gave notice of the suit to these defendants in September 1978.

Potter changed counsel in the Court of Claims' suit—and he recommended that individual infringement suits be brought in this Court against these defendants, on a contingent basis—three were filed in July 1979; three were filed in November 1979; two have been settled, and four remain to be settled and/or tried.

Although an unusually large amount of pretrial discovery has been had both in the Court of Claims and in this Court, many of the pertinent documents have disappeared and many of the material witnesses, including the inventors of the patents in suit, have suffered lapses of memory or otherwise have become unavailable.

While the causes are myriad, much of the blame is attributable to Potter's delay in filing these suits.

Potter's unsupported contention that laches is not applicable to suits at law[5] is inapposite to all the relevant authorities.

It is clear in the Fourth Circuit that the equitable doctrine of laches is applicable to suits brought solely at law. See *Giddens* v. *Isbrandtsen Co.*, 355 F.2d 125 (4th Cir. 1966). Similarly, laches has expressly been held applicable to patent infringement actions. *TWM Manufacturing Co., Inc.* v. *Dura Corporation*, 592 F.2d 346 (6th Cir. 1979); *Baker Manufacturing Co.* v. *Whitewater Manufacturing Co.*, 430 F.2d 1008 (7th Cir. 1970), *cert. denied*, 401 U.S. 956 (1971); *Union Shipbuilding Co.* v. *Boston Iron & Metal Co.*, 93 F.2d 781 (4th Cir. 1938); *Wolf Mineral Process Corp.* v. *Minerals Separation N.A. Corp.*, 18 F.2d 483 (4th Cir. 1927).

Laches may be invoked when the prejudice to the defendant caused by the plaintiff's unexcused delay in instituting suit outweighs the harm to the plaintiff caused by the acts of the defendant upon which the suit is predicated. It is sustainable upon proof of two elements: (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense. See *Costello* v. *United States*, 365 U.S. 265 (1961).

In construing this two-pronged standard, Judge Albert V. Bryan, Sr., speaking for the Fourth Circuit, stated in *Giddens, supra*, that:

> . . . the presence of laches is ascertained by a balancing of the claimant's delay with the proferred excuse, if any, against the defendant's consequent detriment.

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[5] The plaintiff asserts that this consolidated action is an action at law rather than an action in equity because Potter seeks only monetary damages and no injunctive relief.

> The determination demands a weighing of equities. These in turn depend upon an assay of the circumstances. 355 F.2d 125, 127.

The length of delay constituting laches is generally analogized to a corresponding statute of limitations—but the laches period may be longer or shorter than the analogous statutory period, depending on the individual facts and circumstances of each case. *Giddens, supra,* at 127; *Gillons* v. *Shell Co. of California,* 86 F.2d 600 (9th Cir. 1936), *cert. denied,* 302 U.S. 689 (1937).

Although there is no express statute of limitations for patent infringement suits, 35 U.S.C. § 286 limits a patentee's recovery in a patent infringement action to the six-year period immediately preceding the filing of the suit. *TWM Manufacturing Co., supra,* at 348.

The time when the patentee gains knowledge—either actual or constructive—of the alleged infringement triggers the running of the laches period. *TWM Manufacturing Co., supra,* at 348; *Dymo Industries* v. *Monarch Marking Systems,* 474 F.Supp. 412, 414 (N.D. Tex. 1979)—the period stops when the patentee files suit against the alleged infringer.

Potter filed suit in this Court against these defendants for their alleged commercial infringement of the '894 and '685 patents in 1979. Its 1978 suit against the United States in the Court of Claims alleging that the defendants' products infringed its '894 and '685 patents was for governmental infringement only. The Court of Claims' suit did not toll the running of the laches period against these defendants for commercial infringement. See *TWM Manufacturing, supra,* at 349.

Where there has been an unreasonable delay by a patentee in bringing suit for infringement of his patent, there is a presumption that the alleged infringer has been pre-

judiced by the delay. The weight of authority indicates that delays in excess of six years in bringing such suits are presumptively unreasonable—and shifts the burden of proof to the patentee plaintiff to show a legally cognizable excuse for the delay.

This rule has been in existence at least since its promulgation by the Ninth Circuit in *Gillons* v. *Shell Co. of California*, 86 F.2d 600 (9th Cir. 1936), *cert. denied*, 302 U.S. 689 (1937). In 1970, the Seventh Circuit in applying laches to bar a patent infringement suit delayed for seven years after notice of infringement, cited *Gillons* with approval. *Baker Manufacturing Co.* v. *Whitewater Manufacturing Co.*, 430 F.2d 1008 (7th Cir. 1970), *cert. denied*, 401 U.S. 956 (1971).

While the Fourth Circuit has not specifically addressed the six-year rule, this presumption has been adopted by the Second,[6] Sixth,[7] and Tenth [8] Circuits by the district court in the Fifth[9] and District of Columbia Circuits [10]—and by this Court, and counsel has been so advised.

The plaintiff was given every opportunity to justify its long delay in bringing these infringement suits and they failed to so do.

The undisputed evidence clearly shows that Potter delayed bringing suit against these defendants for infringement of the '894 patent for more than six years after it

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[6] *Jones* v. *Ceramco, Inc.*, 387 F.Supp. 940 (E.D.N.Y. 1975), *aff'd* 526 F.2d 585 (2nd Cir. 1975).

[7] *TWM Manufacturing Co., Inc.* v. *Dura Corporation*, 592 F.2d 346 (6th Cir. 1979).

[8] *Maloney-Crawford Tank Corp.* v. *Rocky Mountain Natural Gas Co.*, 494 F.2d 401 (10th Cir. 1974).

[9] *Dymo Industries, Inc.* v. *Monarch Marking Systems*, 474 F. Supp. 412 (N.D. Tex. 1979).

[10] *Van't Veld* v. *Honeywell*, 440 F.Supp. 1020 (D.D.C. 1979).

had knowledge of the alleged infringement by these defendants.

Potter's attempt to excuse this delay on the grounds they were negotiating with the defendants in re-licensing and were in the process of suing another company (Bucode) for infringement of the '894 patent—and their precarious financial condition—are simply not supported by the evidence.

Potter failed to call any of its corporate officers, many of whom were available, except its present president, to explain why their so-called licensing offers were rejected or why they delayed filing infringement suits against these defendants. None of Potter's office memoranda or copies of its correspondence in re these negotiations were offered in evidence. The correspondence in evidence came from the defendants' files. All the defendants denied they were infringing the '894 patent. That must have ended the matter as far as Potter was concerned because they did nothing to stop any of the defendants from continuing to manufacture and sell their machines. Although Potter's present president was not with the Company until late 1974, he offered no explanation as to why these suits were not filed until late 1979—except that he was too engrossed in keeping the Company financially afloat to look into the matter before then.

However one characterizes these licensing negotiations, they terminated more than six years before these infringements suits were filed.

Similarly, Potter's maintenance of the Bucode litigation does not constitute a legally cognizable excuse for Potter's delay in suing these defendants for infringement of its '894 and '685 patents. Other patent infringement litigation brought by a patentee does not excuse a delay in suing other defendants for infringing the same patent. *Advanced Hydraulics, Inc.* v. *Otis Elevator Company*, 525 F.2d 477 (7th Cir. 1975), *cert. denied*, 423 U.S. 869 (1975).

The bald knowledge that a patentee has sued other companies for patent infringement does not impute knowledge of the patentee's intention to sue all infringers for patent infringement—even if the patents in suit are identical. At the very least, at some time during the course of the Bucode litigation, Potter should have notified the defendants of its intention to sue them for infringing its '894 patent upon obtaining a favorable resolution of the Bucode case. *American Home Products Corp.* v. *Lockwood Manufacturing Co.*, 483 F.2d 1120 (6th Cir. 1973), *cert. denied*, 414 U.S. 1158 (1974).

For the period from 1975 up until these suits were filed in 1979, Potter cites its financial difficulties as its primary reason for failing to sue. However, except in unusual circumstances, poverty is ordinarily no excuse for delay in filing suit. A party's poverty or pecuniary embarrassment is not a sufficient excuse for unreasonably postponing the assertion of its legal rights. *Hayward* v. *National Bank*, 96 U.S. 611 (1877); *Leggett* v. *Standard Oil Co.*, 149 U.S. 600 (9th Cir. 1936), *cert. denied*, 302 U.S. 689 (1937).

The plaintiff offers no excuse for its failure to timely sue the defendants under the '685 patent—its position with respect to this patent is that there was no presumptive unreasonable delay, with the possible exception of STC—the period of delay being less than six years.

Nevertheless, laches should be applied where the delay has been less than six years if the facts and circumstances so warrant—if the defendants have suffered enough prejudice from the delay. This policy was enunciated by the Fourth Circuit in *Fretwell* v. *Gillette Safety Razor Co.*, 106 F.2d 728 (4th Cir. 1939), recognized in *Giddens* v. *Isbrandtsen Co.*, 355 F.2d 125 (4th Cir. 1966), and exemplified in *Advanced Hydraulics, Inc.* v. *Otis Elevator Co.*, 525 F.2d 477 (7th Cir. 1975), *cert. denied*, 423 U.S. 869 (1975).

The Court finds from the evidence that the defendants have been seriously and irreparably prejudiced by the plaintiff's delay in filing this consolidated patent infringement suit. Prejudice "contemplates the dispersal and inaccessibility of witnesses, the dimming of recollections and other disadvantages incident to the lapse of time." *Giddens* v. *Isbrandtsen*, 355 F.2d 125, 127 (4th Cir. 1966). The facts are clear that, as a result of the long delay in the filing of these suits, many crucial documents, including the inventor's files, have become lost or been destroyed, and several crucial witnesses, including the inventors of the patents in suit, have either died or suffered lapses of memory. In addition, many of Potter's corporate records which are relevant to the defendants' case have been destroyed due to the ravages of time. This type of prejudice—the loss of relevant evidence—is clearly of the type upon which laches can be supported. See *Dymo Industries, Inc.* v. *Monarch Marking Systems*, 474 F.Supp. 412, 416 (N.D. Tex. 1979).

None of the defendants have included any possible royalty costs in the sale or lease of their machines. All claimed they were lulled into believing, by Potter's inaction, that their products were not infringing upon any of Potter's patents.

All testified they could and would have circumvented Potter's patent claims, had they been timely sued for infringement. The costs to so do now on the machines in place would be both prohibitive and impractical.

Further, the Court is of the opinion that Potter ought to be estopped from bringing an infringement action against these defendants under the '685 patent.

Estoppel is proper where "one has . . . acted to mislead another and the one thus misled had relied upon the action of the inducing party to his prejudice." *Advanced Hydraulics, supra*, at 479. Potter actively participated with the ANSI Subcommittee in developing GCR as the industry standard—it intentionally failed to bring its ownership of

the '685 patent to the committee's attention notwithstanding he committee's policy to the contrary. By so doing, Potter has gained a monopoly on the GCR industry standard without any obligation to make its use available on reasonable terms to competitors in the industry.

Equity will rarely, if ever, permit one to waive by acquiescence its alleged patent rights, for a long period of time [11] and attempt to assert them after they have been adopted as the industry standard.[12]

Whatever right the plaintiff has to enforce its delayed infringement claims against these defendants will not be impaired by the dismissal of this consolidated suit—the defendants are the real parties-in-interest in the plaintiff's pending suit in the United States Court of Claims—all available discovery has been completed and the Court of Claims' action is now ready for hearing on the merits as soon as that Court's docket permits.

Surely the defendants ought not to be put to the extra expense of defending the same claims in two federal courts.

The Order dismissing the above-styled suits was entered herein on March 12, 1980, with the Court's findings and conclusions to follow.

The Clerk will send a copy of these findings and conclusions to the Honorable Francis C. Browne of the United States Court of Claims, and to all counsel of record.

/s/ Oren R. Lewis
United States Senior District Judge

March 25, 1980

A True Copy, Teste:
W. Farley Powers, Jr., Clerk
By /s/ Maria Heurtt
Deputy Clerk

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[11] ANSI Subcommittee X3B1—November 1973.

[12] The GCR recording was adopted as the industry-wide standard in June 1976.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Civil Action No. 79-579-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

STORAGE TECHNOLOGY CORPORATION, *Defendant*.

Civil Action No. 79-626-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

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POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

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TELEX COMPUTER PRODUCTS, INC., *Defendant*.

Civil Action No. 79-994-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

SPERRY CORPORATION, *Defendant*.

Civil Action No. 79-995-A

POTTER INSTRUMENT COMPANY, INC., *Plaintiff*,

v.

CONTROL DATA CORPORATION, *Defendant*.

ORDER

(Filed May 23, 1980)

THIS CAUSE came on to be heard on the 16th day of May 1980 and was argued by counsel.

1. Upon hearing plaintiff's Motion for Rehearing and considering the arguments of counsel, the Motion is denied;

2. Upon plaintiff's motion that an appeal bond be set, it is ordered that the appeal bond for a consolidated appeal is three thousand five hundred dollars ($3,500.00);

3. Upon consideration of defendants' Storage Technology Corporation, Sperry Corporation and Telex Computer Products, Inc., Motion for Voluntary Dismissal of their Counterclaims without prejudice to reinstate the counterclaims in the events these actions are remanded to this Court for a trial on the merits;

4. ORDERED, that Defendants' Joint Motion for Voluntary Dismissal without prejudice should be and hereby is granted;

5. This order is without prejudice to any of the rights of the parties in the Court of Claims Docket No. 111-78;

ENTERED at Alexandria, Virginia, this 23rd day of May 1980.

/s/ OREN R. LEWIS
Oren R. Lewis
District Court Judge

A True Copy, Teste:
W. Farley Powers, Jr., Clerk

By /s/ RUTH WARDMAN
Deputy Clerk

SEEN AND AGREED

WILLIAM O. BITTMAN, ESQUIRE
Attorney for Defendant
Storage Technology Corporation

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 80-1428

Potter Instrument Company, Inc.,
Appellant,

versus

Storage Technology Corporation;
Telex Computer Products, Inc.;
Sperry Corporation; Control Data
Corporation,
Appellees.

Appeal from the United States District
Court for the Eastern District of
Virginia, at Alexandria.
Oren L. Lewis, District Judge.

Argued December 4, 1980
Decided February 23, 1981

Before HAYNSWORTH, Chief Judge, FIELD,
Senior Circuit Judge,
and PHILLIPS,
Circuit Judge.

David R. Murphy for Appellant;
Richard E. Kurtz (Woodcock Washburn
Kurtz Mackiewicz & Norris on brief)
and Allen Kirkpatrick (Cushman Darby
& Cushman; Alan E. J. Branigan,
Griffin Branigan and Butler; Harrison
McCandlish, LeBlanc Nolan Shur & Nies
on brief) for Appellees.

HAYNSWORTH, Chief Judge:

Potter Instrument Co., Inc. filed in the district court separate suits against Storage Technology Corp., Control Data Corp., Sperry Corp., and Telex Computer Products, Inc., alleging infringement of two patents. Potter requested monetary, but not injunctive relief. The actions were consolidated for trial and the district court granted defendants' motions to dismiss on the grounds of equitable estoppel and laches.

This court has on occasion addressed the equitable doctrines of laches and estoppel in patent infringement suits. See Eastern Venetian Blind Co. v. Acme Steel Co., 188 F.2d 247, 254 (4th Cir. 1951); Baker-Cammack Hoisery Mills v. Davis Co., 181 F.2d 550,564-68 (4th Cir. 1950); Fretwell v. Gillette Safety Razor Co., 106 F.2d 728, 730-31 (4th Cir. 1939); Hartford-Empire Co. v. Swindell Bros., 96 F.2d 227,

232-33, modified, 99 F.2d 61 (4th Cir. 1938); Denominational Envelope Co. v. Duplex Envelope Co., 80 F.2d 186, 193-94 (4th Cir. 1935). Those occasions have not invited comprehensive treatment of the subjects. Other courts, however, recently have surveyed the area. E.g., Studiengesellschaft Kohle v. Eastman Kodak Co., 616 F.2d 1315, 1325-28 (5th Cir. 1980); TWM Mfg. Co. v. Dura Corp., 592 F.2d 346 (6th Cir. 1979).

The laches defense "may be invoked where the plaintiff has unreasonably and inexcusably delayed in prosecuting its rights and where that delay has resulted in material prejudice to the defendant." Eastman Kodak, 616 F.2d at 1325.

The district court found that Potter should have known of the alleged infringement of the '894 patent for more than six years before it filed suit. A delay of six years triggers a presumption that the delay

was unreasonable and that the defendant was prejudiced. Eastman v. Kodak, 616 F.2d at 1326; TWM Mfg. Co., 592 F.2d at 348-40. The district court considered and rejected each of the justifications which Potter offered for the delay.

With respect to the '685 patent, the delay in filing suit was slightly less than six years. The district court nonetheless found that the delay was unreasonable and that the defendants were prejudiced.

The invocation of the estoppel or laches doctrines is within the sound discretion of the district court and will be reversed only if clearly erroneous. Eastman Kocak, 616 F.2d at 1325. Because we do not find clear error, we affirm the dismissal on the laches ground.

The district court also held that Potter "ought to be estopped from bringing an infringement action against these defendants under the '685 patent." Although we would be inclined to uphold this ground of

decision on the facts of this case, we think that the invocation of the doctrine of estoppel would produce a result unintended by the district court. Unlike laches, which only bars recovery of damages for past infringement, estoppel forecloses, as well, prospective patent enforcement through an injunction or through damages for continuing infringement. Eastman Kodak, 616 F.2d at 1325. The district court, however, clearly did not intend for its dismissal to have that effect.

> Whatever right the plaintiff has to enforce its delayed infringement claims against these defendants will not be impaired by the dismissal of this consolidated suit--the defendants are the real parties-in-interest in the plaintiff's pending suit in the United States Court of Claims--all available discovery has been completed and the Court of Claims' action is now ready for hearing on the merits as soon as that Court's docket permits.

Consistent with the district court's view of the preclusive effect of its decision, we limit our affirmance to the laches ground of decision.

AFFIRMED.